

## **PURCHASING & PROCUREMENT**

### **OVERSIGHT COMMITTEE (PPOC)**

**IDA Conference room – 6<sup>th</sup> Floor – Ruppert Sargent Building**

**October 17, 2012**

**Call to Order** – Michael Graves, Chairman, called the meeting to order at 12:30 p.m.

**Committee Member Attendance:** A roll call was taken by Jessica Spencer

**Members Present** - Michael Graves, Chairman; Lauren Yee, Vice Chair; Eugene Johnson, Dave Pearson, and Vice Mayor George Wallace

**Members absent** – Willie Brown, Teresa Walker, Crystal Kleiber, Eddie Deerfield

**Staff and Citizen Attendance:**

**Legal Representation:** Karen James, Deputy City Attorney

**Staff Present:** Jessica Spencer, Arnelia Hancock, Doris McRae, Suzy Scott, Octavia Andrew, Pete Peterson, and Brenda Bailey (recorder)

**Citizens in Attendance:** no citizens in attendance

**Approval of Minutes:** The minutes of the September 19, 2012 meeting were unanimously approved as submitted.

### **Old Business**

**Department Small Purchases Report** – Jessica Spencer reported on departmental small purchases with a handout. Mr. Graves asked why there was a significant drop in small purchases for the 3<sup>rd</sup> quarter of 2011 to the 3<sup>rd</sup> quarter of 2012. Ms. Spencer responded that the report shows dollar amounts are broken down by minority women and other vendors by each department. There is not a detailed accounting of actual purchases less than \$10,000.

**Disparity Study**- Doris McRae reported that the bid process for the disparity study ended in March 2012. The procurement department has awarded a bid and selected a contractor. One bidder put forth a protest and the process to finalize the chosen contractor will be approved by November. Mr. Wallace questioned the basis of the protest; Ms. McRae responded that some of the documents were in question. Ms. Spencer elaborated that three vendors, Collette Holt and Associates, Mason Tillman Associates and MGT of America, were involved in the negotiations. Ms. James further elaborated that negotiations were halted with Collette because they were over the bid amount and they wanted to subtract part of the study which would not have satisfied the city's needs so Collette filed a protest which was answered by the city with no rebuttal from the vendor. The city also considered Mason Tillman Associates and based on research done on statements in their bid, the city was not comfortable using their services so Mason Tillman

Associates also filed a bid protest. The city is in talks now with Mason Tillman Associates legal counsel in Richmond and Mason Tillman Associates want to settle with retractions from the City of Hampton and not go forward with the protest process. Some of these issues come up with these contracts because they are challenged in court. A study that has been challenged ensures that if a contractor wants to sue the city the disparity study will withstand constitutional or any type of court challenges. Mr. Wallace pointed out that some challenges are associated with a situation where the city has to display a certain course of action and how that situation was implemented.

### **New Business**

School reports – Suzy Scott apologized for the lack of reports last month due to an upgrade to the Oracle program. This month's report involves two handouts, one that compares results from 4<sup>th</sup> quarter of FY12 and one cumulative report for all 4 quarters.

There was an insignificant increase in spending compared to FY11. The total spending decreased by about 1/3 and the SWaM spending decreased by about 1/3 while proportionally spending stayed approximately the same at 7.01% in 4<sup>th</sup> quarter FY11 and 7.07% in 4<sup>th</sup> quarter FY12. The reason FY11 4<sup>th</sup> quarter was higher is due to large capital outlay on projects related to HVAC and electrical. The average transaction was lower for women-owned vendors and higher for the minority vendors with the difference attributed to the two large purchase orders for HVAC and electrical contract. Comparing the woman-owned businesses, the difference between FY11 and FY12 is that the spending went up significantly but the total number of purchase orders issued went down meaning the percentage of purchase orders went up. The minority-owned purchases for FY11 to FY12 significantly decreased in volume largely due to one \$700,000 purchase order issued in FY11 on a qualified school construction bond project. The school acquired a \$2.5million bond for a district-wide lighting project and that generated a \$700,000 purchase order associated to some of the ceiling work contract awarded. The cumulative report is very similar in that the spending overall decreased but not significantly and the spending decreased overall, as well. The SWaM spending and the total spending are both down while the SWaM spending down by just a little more. Again, this is attributed partly due to large purchase orders such as the \$700,000 purchase order issued to a minority-owned business for the ongoing ceiling project that is expected to be completed by summer. Mr. Graves clarified that the \$700,000 purchase order shows on the report for FY11 even though the payout is over multiple years. Ms. Scott verified that the purchase order was issued in FY11 and reiterated that the report generates purchase orders issued because it is difficult to keep the spending separate from the purchase orders so the report captures it at the point the purchase order was issued. The average for minority vendors looks disproportionately high, again, due to the \$700,000 purchase order as well as a couple over \$400,000 purchase orders related to capital projects. The average for the minority vendors and other services looks disproportionately high due to the \$700,000 purchase order in addition to a couple \$400,000 purchase orders for HVAC work related to the capital projects in the district. The woman-owned purchases increased by .5% and the total purchase orders increased by 5.1% meaning overall the spending as a proportion of the total decreased slightly. The minority-owned report also shows the \$700,000 purchase and the spending on other services decreased by \$545,000 because of that same purchase order. The total purchase orders decreased by 31%, even though the spending increased. Mr. Pearson asked for the name of the vendor selected for the \$700,000 purchase order. Ms. Scott verified ABLE in Yorktown which is not a minority-owned but rather woman-owned.

Procurement reports – This report is for the period of July 2011 through June 30, 2012 and shows an update from prior years. The bids were advertised in Daily Press. The BPO reports were sent out electronically via the EVA (Electronic Virginia) site which accounts for the largest number of vendors and is a state-wide listing. The November templates will have the update as to the contents of the package per Mr. Graves' request. Ms. Spencer clarified the number of MBE and WBE notified are gathered from the EVA report. Ms. McRae also verified that all numbers on this report are generated from the EVA report. The source of the discrepancy between the MBE/WBE notified and the SBE notified is not known at this time. Queries of EVA include a listing of the vendors on the summary of the bids sent out and returned. All local vendors are on the EVA site. Ms. Scott pointed out that the vendors are charged a premium and Ms. Yee asserted that might explain the discrepancy. Bids via EVA require EVA processing and a small-percentage fee is added. Registering on EVA is at a minimal fee of \$25. Mr. Wallace stated that this should raise red flags. Ms. McRae will research the reasons for the discrepancy of the numbers and report at the next meeting.

November meeting – Ms. Spencer announced the date of the next meeting as November 21, which is the day before Thanksgiving and a quorum will be required for the next meeting due to preparations of the report to City Council. Ms. Spencer would also like the DMBE representative present to brief the committee on how the 'Dashboard' can assist vendors in various localities. Ms. Spencer polled members present as to who will be available for the next scheduled meeting. Members indicating availability are as follows: Mr. Johnson, Mr. Wallace, Ms. Yee, and Mr. Cross. Mr. Graves will not be available and Mr. Pearson is unsure. Ms. Spencer will notify and poll all members by email to ensure a quorum at the next meeting. Ms. Spencer also does not have an update on the date for a report to the City Council as of yet.

Announcements – “*Inside Business*” was soliciting nominees to recognize women in business for 2012 women-in-business awards. Two women-owned Hampton businesses were submitted for the award as follows: Countryside Gardens owned by Tish Lanexa, and REMSA, Inc. owned by Rosetta Billups. There is no update yet on the outcome of those nominations. A 2012 'Small Business, Think Big' conference sponsored by Hampton Roads Messenger being held on October 31, 2012 in Chesapeake also requested nominees of businesses making strides to grow and Covenant Care, a minority small business at Hampton University, was submitted. Two workshops as follows have been scheduled: Virginia Department of Business Assistance Entrepreneur Workshop will be held on Monday, October 22 in the Hampton Veterans Conference Room from 9a.m. – 12:00 p.m., and Estimating for Small Business is scheduled for Thursday, October 25 in the Hampton Veterans Conference Room from 5:30-7:00 p.m. So far, the Entrepreneur Workshop will definitely be held and the registration is low for the Estimating workshop. A minimum of 15-20 attendees at each event are necessary in order to make holding the workshops viable.

Public Comments – no public guests in attendance.

Adjournment – There being no further business, the meeting adjourned at 1:04 p.m.